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SUBJECT: FM FISCHER ON IRAN

Classified By: Acting Pol M/C Kris Pelz; reasons 1.4 (b) & (d)

¶1. (S) During a meeting on June 29 with visiting New Mexico Governor Bill Richardson, Foreign Minister Fischer said he was extremely concerned about Iran after the election of President Ahmadinejad. He said no one expected Ahmadinejad's victory, least of all Iranian negotiators on the nuclear issue who Fischer said were "in shock" after the election results came in. Fischer said German policy would be driven by the concrete steps taken by the Iranian government over the next several months. He emphasized that an Iran with a nuclear weapons capability is unacceptable. Fischer added that Iran wants to acquire an enrichment capability, but its nuclear program does not make sense in civilian terms. He said the technology they are pursuing has long been outmoded as a source of peaceful nuclear energy. Fischer also noted that the Iranian missile program is not aimed at delivering conventional warheads.

¶2. (S) Fischer added that closer American cooperation with the EU-3 in recent months had boosted the West's leverage with Iran. President Bush's meeting with Chancellor Schroeder this week in Washington had, in Fischer's view, gone well. However, Fischer emphasized that the outlook for Iran is "grim." Iran's desire to acquire nuclear weapons and its rejectionist policy toward Israel both present huge problems, he said. Israel's reaction to current circumstances in Iran is unclear, he said, further complicating the situation. Fischer noted that sanctions on Iran would send the price of oil much higher, with huge consequences for the world economy. According to Fischer, only the closest possible cooperation between Europe and the United States offers hope for a solution. Even with close cooperation, he said, the outlook is very uncertain.

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